

# The Business Case for Special Needs Plans in Medicare



November 18, 2005

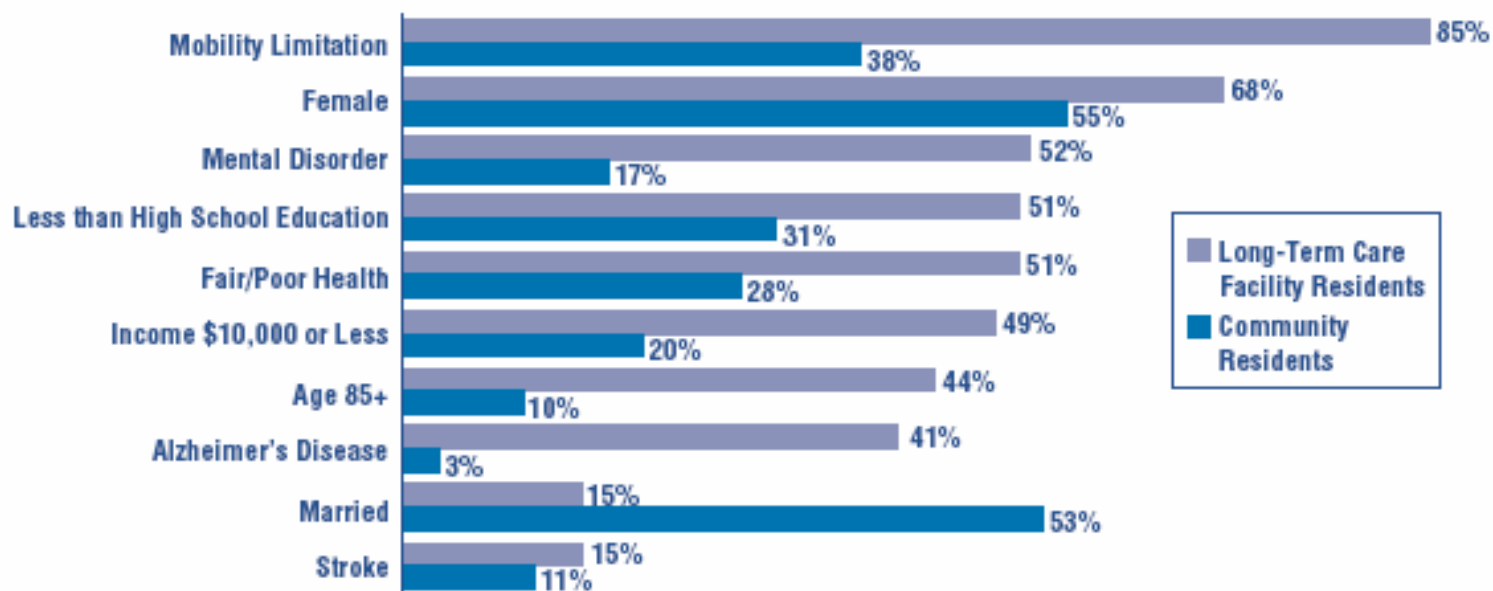
# What is a Special Needs Population in Medicare?

- Section 231 of Medicare Modernization Act authorizes Medicare contracting with Special Needs Plans (SNPs) to care for three distinct populations:
  - Institutionalized beneficiaries
  - Dual eligibles
  - Severely chronically ill and disabled (undefined by CMS)
- SNPs paid on same basis as Medicare Advantage plans, with risk adjustment
- Collaboration with state critical for duals.
  - To verify eligibility
  - To achieve independent reconciliations
  - To negotiate reimbursement for Medicaid services/cost-sharing
- SNPs must offer Part D beginning 2006.

# Prevalence of Special Needs Populations

- **Institutionalized:** approximately 2.5M Medicare beneficiaries are institutionalized; 75% are Dual Eligibles

## Comparison of Medicare Beneficiaries Residing in Long-Term Care Facilities and the Community, 2002



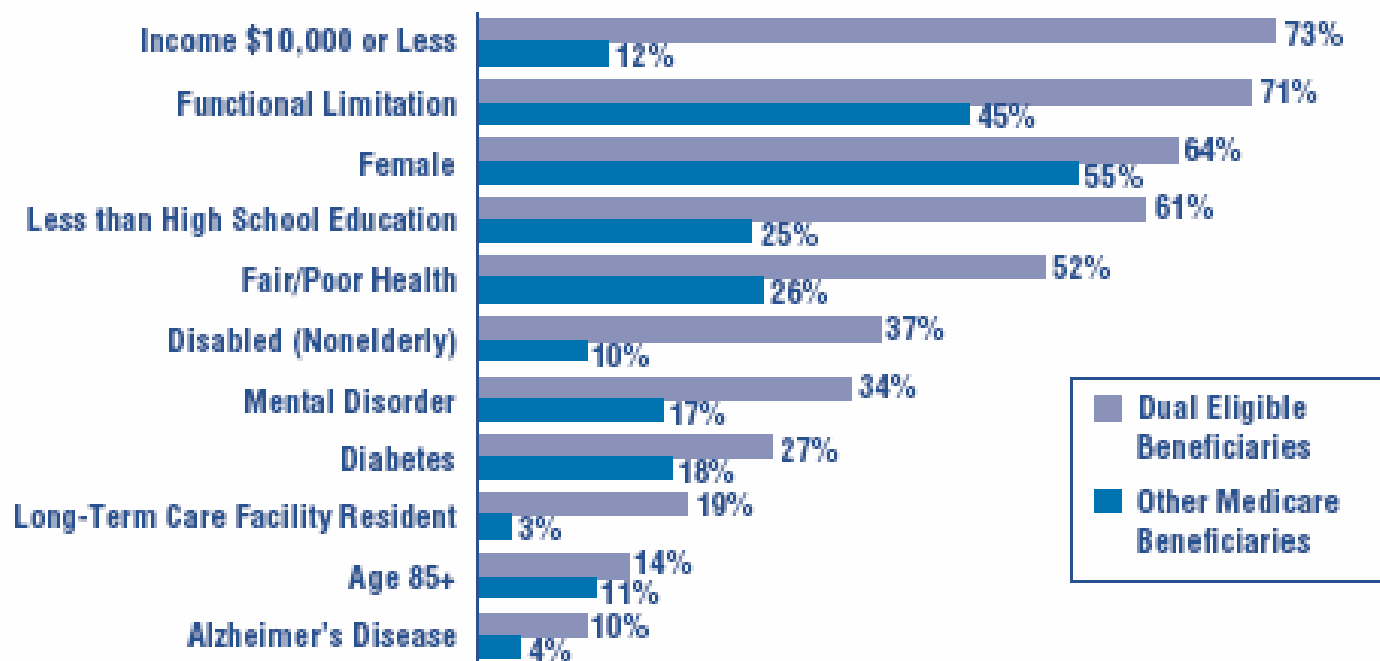
Total = 2.3 Million Long-Term Care Facility Residents, 2002

Source: Kaiser Family Foundation, Medicare Chartbook, 3<sup>rd</sup> Edition, Summer 2005.

# Prevalence of Special Needs Populations

- **Dual Eligibles:** approximately 7.2M Medicare beneficiaries are Dually-Eligible

## Comparison of Dual Eligible and Other Medicare Beneficiaries, 2002

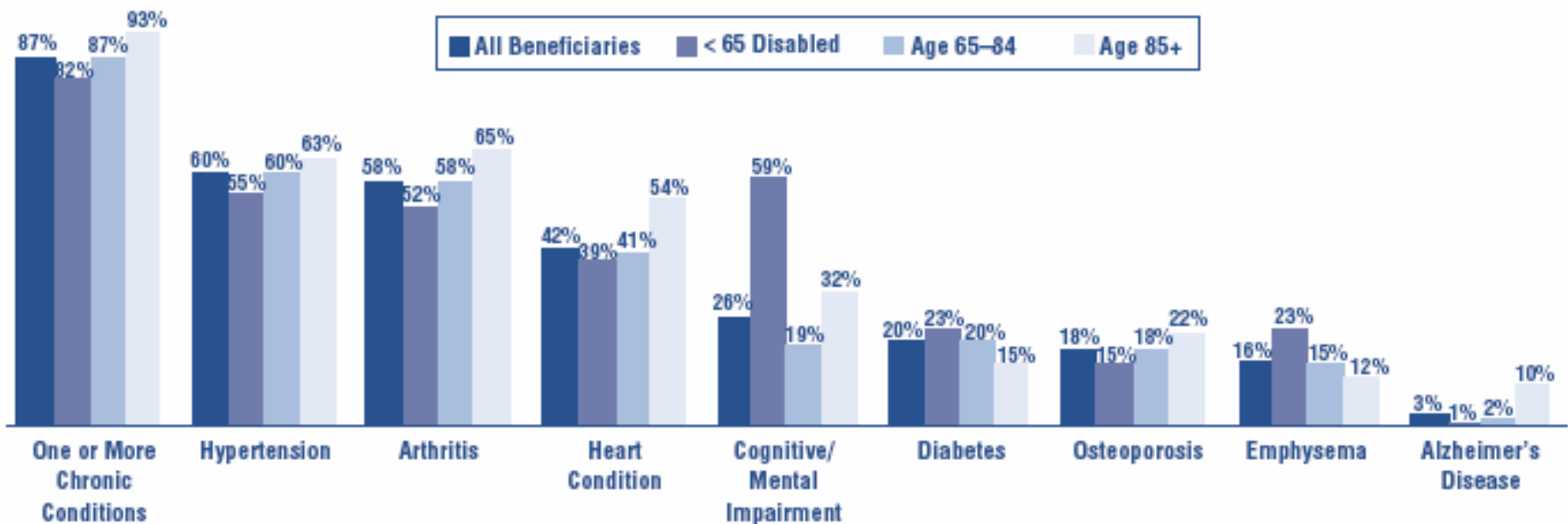


**Total = 7.0 Million Dual Eligible Medicare Beneficiaries, 2002**

# Prevalence of Special Needs Populations

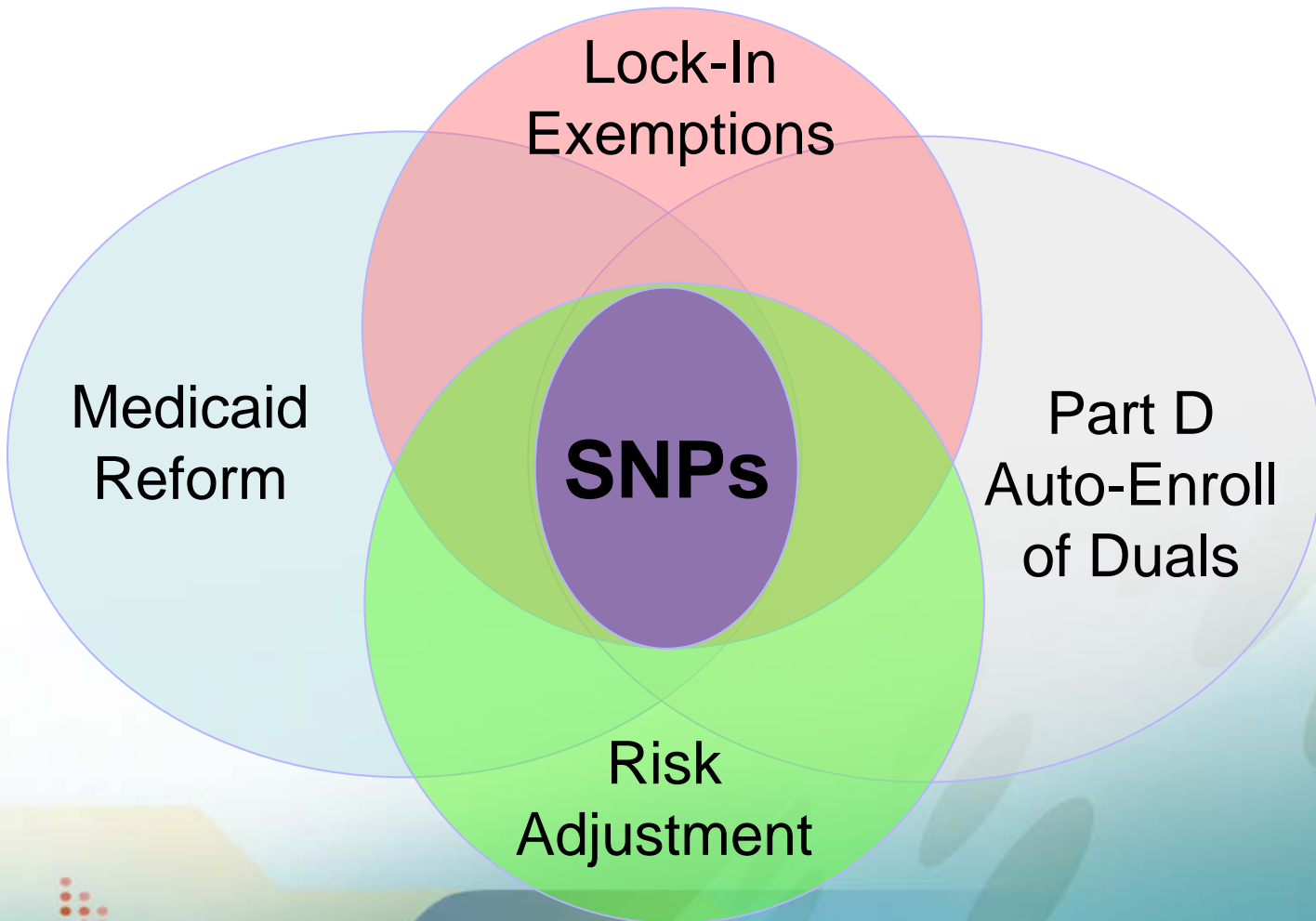
- **Chronically III**: almost 90% of beneficiaries; many Dually-Eligible

Prevalence of Chronic Conditions Among Non-Institutionalized Medicare Beneficiaries, 2002



Source: Kaiser Family Foundation, Medicare Chartbook, 3<sup>rd</sup> Edition, Summer 2005.

# Convergence of Health Policy Factors Create Opportunities for SNPs



# MA-PD DE Financial Picture

- In 2005 MA Plan DEs typically show:
  - Increased health care cost of 10%
  - Increase in revenue 30%
  - This trend will intensify as risk adjustment goes to 75% in 2006, 100% in 2007.
- Inverse logic, as your number of SNP members increase, so will your revenue via:
  - CMS “Medicaid Premium Bump”, and
  - Higher risk scores
- Not having a SNP may cause changes in your finances for 2006
  - DE population will be targeted by competition
  - Targeted SNPs will pull away profitable membership.

# Value Proposition / Critical Success Factors

Provide more affordable and comprehensive benefits managed at a higher level than traditional fee-for-service Medicare, and other MA plans, accessed through a network of trusted physicians and hospitals

- Benefit Strategy
- Organizational Strategy
- Network Strategy
- Communications/Outreach Strategy
- Regulatory Strategy
- Distribution Strategy
- Member Support Strategy

# Who has SNP?

- For 2005, there are many SNP plans in varied markets
- For 2006, the number of SNP plans will increase.
- For 2007, applications for SNP plans are due mid-February, 2006. SNPs for chronically ill will explode (full implementation of risk adjustment).
- GHG estimates that every major market will have SNP plans.
- DE and LIS are exempt from the MA lock-in!

# Emerging Market for SNPs in 2006

- 276 SNP plans for 2006 including:
  - 226 DE SNPs
  - 13 Chronic condition SNPs
  - 37 Institutional SNPs
  - 164 separate H #s,
  - 42 States and Puerto Rico
- Top States are:
  - NY – 43
  - FL – 35
  - PR – 16
  - CA – 15
  - TX – 14
  - AZ – 13
- WellCare leads the way with 65 SNPs
- United is next with 55 (includes Evercare)
- HealthSpring is third with 12

# Approved SNPs for 2006

Contract Name	Number of Plans
ABRAZO ADVANTAGE HEALTH PLAN	1
AETNA HEALTH, INC.	1
AIDS HEALTHCARE FOUNDATION	1
ALOHACARE	1
AMERICAN PIONEER LIFE INSURANCE COMPANY	1
AMERICHoice	3
AMERIGROUP TEXAS, INC.	1
AMERIHEALTH HMO_INC	1
ARIZONA PHYSICIANS IPA, INC.	2
ATRIO HEALTH PLANS	1
AVETA HEALTH ILLINOIS, INC.	1
BLUE CROSS AND BLUE SHIELD OF ALABAMA	1
BLUE CROSS AND BLUE SHIELD OF RHODE ISLAND	1

# Approved SNPs for 2006

Contract Name	Number of Plans
BLUE CROSS BLUE SHIELD OF GEORGIA	1
BLUE CROSS OF CALIFORNIA	1
BLUE PLUS	1
CARE IMPROVEMENT ASSOCIATES OF MARYLAND	3
CARE1ST HEALTH PLAN OF ARIZONA	1
CAREONE HEALTH PLAN, INC.	1
CARITEN HEALTH PLAN IN	1
CHINESE COMMUNITY HEALTH PLAN	1
CIGNA HEALTHCARE OF ARIZONA, INC.	1
CITRUS HEALTH CARE, INC.	1
COLORADO ACCESS	1
COMMONWEALTH CARE ALLIANCE	2
COMMUNITY CARE HEALTH PLAN, INC	1
COMMUNITY HEALTH PARTNERSHIP, INC.	1

# Approved SNPs for 2006

Contract Name	Number of Plans
COMMUNITY LIVING ALLIANCE	1
COOPERATIVA DE SEGUROS DE VIDA DE PUERTO RICO	1
DENVER HEALTH MEDICAL PLAN, INC.	1
ELDER CARE HEALTH PLAN, INC.	3
ELDER HEALTH HMO, INC.	4
ELDERPLAN, INC.	2
EVERCARE OF TEXAS, LLC	1
FALLON COMMUNITY HEALTH PLAN	1
FAMILYCARE HEALTH PLANS, INC.	1
FIDELIS SECURECARE	3
FIRST PLAN OF MINNESOTA	1
GATEWAY HEALTH PLAN, INC.	1
GROUP HEALTH INCORPORATED	2

# Approved SNPs for 2006

Contract Name	Number of Plans
HARMONY HEALTH PLAN OF ILLINOIS, INC.	4
HEALTH CHOICE ARIZONA, INC.	1
HEALTH FIRST HEALTH PLANS, INC.	1
HEALTH NET	5
HEALTH PARTNERS	2
HEALTH CARE PLAN	2
HEALTHSPRING, INC.	12
HUMANA MEDICAL PLAN, INC	2
ITASCA MEDICAL CARE	1
KEYSTONE HEALTH PLAN EAST, INC.	2
LIBERTY HEALTH ADVANTAGE, INC.	2
MANAGED HEALTH, INC.	2
MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.	1

# Approved SNPs for 2006

Contract Name	Number of Plans
MCS LIFE INSURANCE COMPANY	3
MEDCORE HP	1
MEDICA HEALTH PLANS	1
METROPOLITAN HEALTH PLAN	1
MID ROGUE INDEPENDENT PHYSICIAN ASSOCIATION	1
MIDWEST HEALTH PLAN, INC.	1
MMM HEALTHCARE, INC.	2
MOLINA HEALTHCARE	4
NEW YORK STATE CATHOLIC HLTH PLAN INC	1
ORANGE COUNTY HEALTH AUTHORITY	1
OXFORD HEALTH PLANS (NY) INC.	1
PACIFICARE	6

# Approved SNPs for 2006

Contract Name	Number of Plans
PREFERRED CARE PARTNERS INC.	2
PREFERRED MEDICARE CHOICE, INC.	8
PRIMEWEST HEALTH SYSTEM	1
PSO HEALTH SERVICES, LLC	2
SAMARITAN HEALTH PLANS, INC.	1
SAN MATEO HEALTH COMMISSION	1
SCAN HEALTH PLAN	1
SELECTCARE	2
SENIOR WHOLE HEALTH, LLC	1
SHA, L.L.C	1
SOUTH COUNTRY HEALTH ALLIANCE	2
SOUTH DAKOTA STATE MEDICAL HOLDING COMPANY, INC.	1

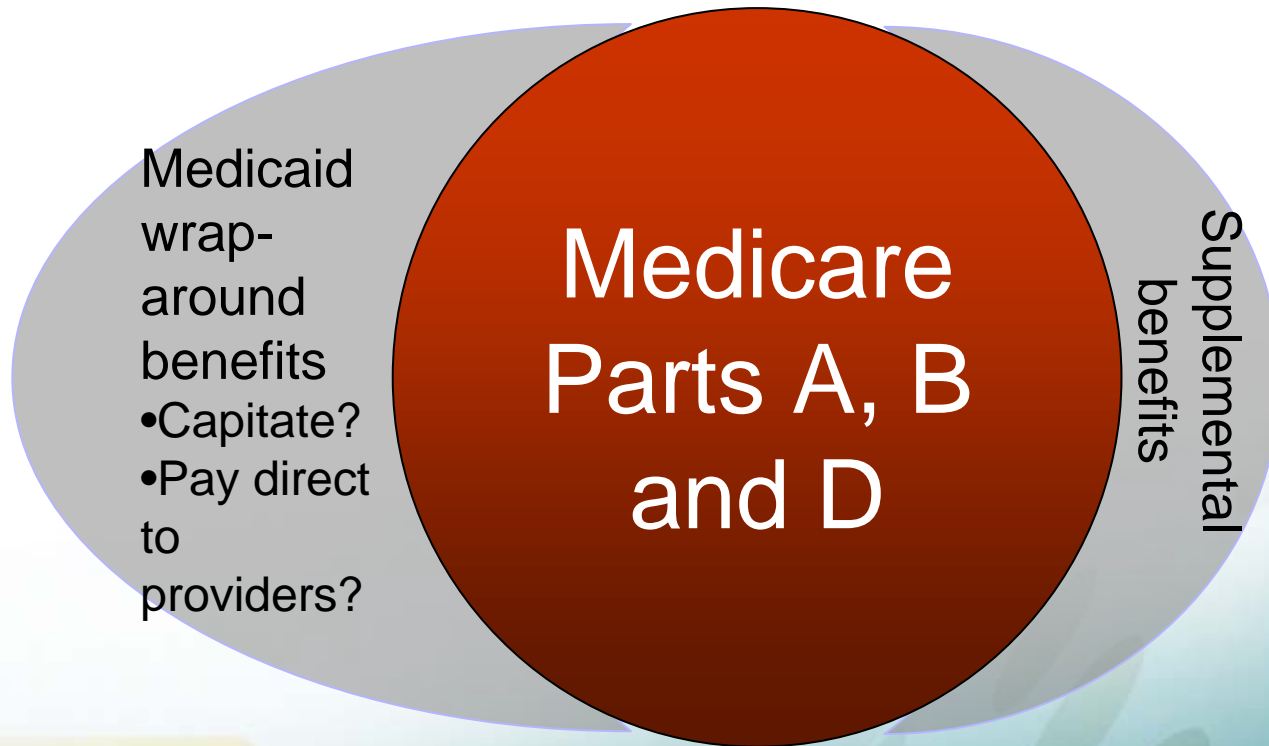
# Approved SNPs for 2006

Contract Name	Number of Plans
SOUTHWEST CATHOLIC HEALTH NETWORK CORPORATION	1
SUMMIT HEALTH PLAN, INC.	1
SUN HEALTH MEDISUN, INC.	1
TENET CHOICES, INC. / PEOPLES HEALTH NETWORK	1
THREE RIVERS HEALTH PLANS, INC.	1
TRIPLE-S, INC.	1
UCARE MINNESOTA	2
UNITED HEALTHCARE INSURANCE COMPANY	55
UNIVERSAL CARE	2
UNIVERSITY HEALTH CARE, INC.	1
UNIVERSITY OF PITTSBURGH MEDICAL CENTER	1
VALLEY BAPTIST HEALTH PLAN, INC.	1

# Approved SNPs for 2006

Contract Name	Number of Plans
VISTA HEALTHPLAN, INC.	2
WELL CARE, INC.	65
WINDSOR HEALTH PLAN OF TN INC.	3

# Multiple Options for SNP Benefit Design



# Bottom Lines: SNPs

- Opportunity is significant – indicates growing specialization, segmentation of Medicare market
- Expect continuous growth in SNPs into 2007 and 2008, especially for chronically ill
- Challenges are enormous
- Dovetails with anticipated direction of Medicaid
- Capitalizes on implementation of risk adjustment, lock-in exemption for Special Needs Populations.

# *How to Reach Us*

*Gorman Health Group, LLC*  
*Washington, DC Headquarters*

(202) 364-8283

[jgorman@gormanhealthgroup.com](mailto:jgorman@gormanhealthgroup.com)